

May 21, 2015

O. Jay Gatten  
Desert Mountain Gold, LLC  
447 N 300 W, Suite #3  
Kaysville, UT 84037

Paul Baker  
Wayne Western  
Division of Natural Resources  
Division of Oil, Gas and Mining

51023/0086

Wayne  
Paul

RECEIVED

MAY 26 2015

DIV. OF OIL, GAS & MINING

RE: Notification of Litigation and Request for a temporary Halt of all Activities at the Coyote Mine

Gentlemen:

We have recently received a copy of a communication between the Utah DNR and Greg Kofford/Amnor Energy entitled "Mineral Inspection Report" dated 4/6/2015 (attached). In the attached report, the Utah DNR agrees to accept the well water rights in exchange for the well not being reclaimed.

The former owner of the claim, Desert Mountain Gold, Inc. is currently involved in litigation with Amnor regarding ownership of the claims pursuant to Amnor's alleged failure to comply with the terms of the Agreement between the parties.

It is Desert Mountain's contention that Amnor does not have the authority or rightful ownership to make such negotiations, since Mr. Kofford is, in our opinion, in default of the Agreement and is obligated to return the property to Desert Mountain. In the event that the judge should rule in favor of Desert Mountain, we would like to keep the well and the water rights since that is the only way Desert Mountain will be able to secure a partner to put the mine into production and create jobs.

Our primary concern is that Amnor appears to be negotiating away the water rights in exchange for not reclaiming the water well with full knowledge of the judge's pending ruling. We do not want Amnor to reclaim anything and would like to discuss an alternative action with your office. If the claims are reassigned to Desert Mountain, we will be moving the mine forward. These water rights are essential to the future mining operations and are part of the property which is to be quit claimed back to Desert Mountain in good standing.

It is our belief that based on Amnor's knowledge of the dispute, Mr. Kofford is exceeding his rights on Amnor's behalf to perform any activity on the property. We would like to see a cease and desist until either Desert Mountain's Motion for Partial Summary Judgment (now pending) is awarded, or the parties arrive at an alternative understanding.

We would like to talk with you personally at your earliest convenience about the ongoing litigation as well as ~~and~~ our expected time frame for the judge to rule on the pending Motion for Partial Summary Judgment.

We look forward to meeting you at your earliest convenience.

Best Regards,







GARY R. HERBERT  
Governor

GREGORY S. BELL  
Lieutenant Governor

# State of Utah

## DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER  
Executive Director

### Division of Oil, Gas and Mining

JOHN R. BAZA  
Division Director

Internal  
50230086

*[Signature]*

## Minerals Inspection Report

Reviewed

Report Date: 04/06/2015

Mine Name: Coyote Knoll 1-2-3 2	Permit Number: S/023/0086	Mine Status: Active
Operator Name: Amnor Energy Inc.	Inspection Date: 04/03/2015	Permit Fees: Paid
Inspector(s): Wayne Western	Inspection Time: 10:00 - 10:40 PM	Bond Amount: \$36,100
Attendee(s): Joelle McCarthy BLM	Weather: sunny mild temp	Bond Escalation: 10/26/2015
Inspection Purpose: Operator requested bond release		Prior Inspection: 03/11/2014

### Conclusions and Recommendations

The Operator wants to reclaim the site. The Operator's main concerns were about reclaiming the pit and leaving the well and water tank. The BLM and the Division agreed that the pit did not have to be backfilled. The Operator had the options of either leaving slopes at a 45 degree angle if the material was in bedrock or backfilling the slope to a stable configuration. The Division assumes that slopes of unconsolidated material that are 2H:1V are stable. The BLM will agree to letting the water well and tank remain on site if the water right is transferred to the BLM. There is an active eagle's nest in the area. The BLM will do a study to determine when activities could begin at the site without disturbing the nest. Another concern of the BLM's is that seeding should take place in the late fall or early winter.

Elements of Inspection	Evaluated & Commented	Enforcement
1. Permits, Revisions, Transfer, Bonds The Operator has indicated that he wants to transfer the permit to another company. The BLM and the Division will allow the transfer to take place provided that the bond is transferred at the same time.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. Public Safety (shafts, adits, trash, signs, highwalls) There are slopes on the site that exceed a 45 degree slope. The Division does have concerns about having steep slopes on the site. The Operator has indicated a willingness to reduce the slopes during reclamation.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. Protection of Drainages/Erosion Control No erosion concerns were noted. The area receives limited amounts of rainfall. Most runoff would report to the pit.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. Deleterious Material The Operator has removed the deleterious materials reported in earlier inspection reports.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
5. Roads (maintenance, surfacing, dust control, safety)	<input type="checkbox"/>	<input type="checkbox"/>
6. Reclamation	<input type="checkbox"/>	<input type="checkbox"/>
7. Backfilling/Grading (trenches, pits, roads, highwalls, shafts)	<input type="checkbox"/>	<input type="checkbox"/>
8. Soils	<input type="checkbox"/>	<input type="checkbox"/>
9. Revegetation	<input type="checkbox"/>	<input type="checkbox"/>
10. Other	<input type="checkbox"/>	<input type="checkbox"/>

Inspector's Signature: \_\_\_\_\_

CC: jmccarth@blm.gov

File: /C:/Users/WAYNEW-1/AppData/Local/Temp/acrord32\_sbx/A9R68A8.tmp





Photo taken inside the pit looking north. Slopes are steeper than 2H:1V. Slopes are steeper than 2H:1V



Photo taken inside the pit looking north. Slopes are steeper than 2H:1V

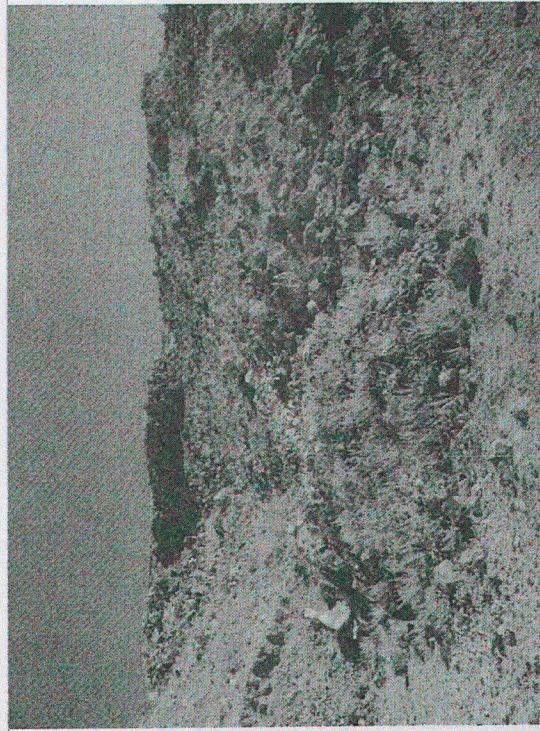


Photo taken inside the pit looking east.



Photo taken inside the pit looking south east.





Photo taken inside the pit looking south. Note highwalls.



Photo taken inside the pit looking south. Note highwalls.



Looking at pit from the pad area



Looking at pit from the pad area





- A – Topsoil storage
- B – Fuel Pond & Office
- C – Ore Storage
- D – Waste Dump
- E – Pit

APPROVED

NOV 17 2013

DIV. OIL GAS & MINING

Coyote Mine

10 acres

1.5"=200'





gent Capital Corp  
P.O. Box 1362  
Draper, UT 84020

97-154/1240

1268

Date 2/10/15

Pay to the  
Order of

DIV OF OIL GAS & MINING \$ 150.00

ONE HUNDRED FIFTY AND NO/100

Dollars

Contains Security  
Features. Details  
on Back.

JPMORGAN CHASE BANK, N.A.  
SALT LAKE CITY, UT 84101

ROUTED TO ACCOUNTING

For Permit S230086

GL

Incoming  
S0230086

Please retain this portion for your records. For billing information call (801) 538-5291

This portion MUST be returned with your payment to ensure proper credit. THANK YOU

ACCOUNT BILLED
AMNOR ENERGY INC

PROJECT NAME
COYOTE KNOLL 1-2-3 2

PERMIT ID
S230086

DUE DATE	ANNUAL FEE	AMOUNT DUE
01/31/2015	\$ 150	\$ 150

<input checked="" type="checkbox"/> FEE ENCLOSED	<input type="checkbox"/> FEE NOT ENCLOSED*
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Approval to mine or conduct exploration is automatically withdrawn if annual permit fees are not paid by the date due.

If reclamation is complete, please submit form MR-SITE to request either a full or partial release. The permit fee is not required if the entire site has been regraded and seeded; The Division will verify the reclamation work.

Forms and other permit-related information are available on the Web at <http://ogm.utah.gov/minerals> or you can call (801) 538-5291 for more information.

DIVISION OF OIL GAS AND MINING  
1594 WEST NORTH TEMPLE SUITE 1210  
PO BOX 145801  
SALT LAKE CITY UT 84114-5801  
RECEIVED FEB 17 2015

DIV. OF OIL, GAS & MINING

Please make check payable to:  
Division of Oil, Gas and Mining



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